

UNCLASSIFIED INTERNAL

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 SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Legislative Counsel
7D49

EXTENSION

NO.

DATE

8 July 1975

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TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

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Director

RECEIVED FORWARD

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

For your information, Senator Proxmire entered in the 7 July Congressional Record the CIA/GAO correspondence on auditing intelligence functions.

George L. Cary
Legislative Counsel

FORM 3-62

610 USE PREVIOUS EDITIONS

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South Carolina's sple today is a tribute to the fact that he exercised his great authority in an effective, responsible manner."—U.S. Rep. Floyd D. Spence (R-SC).

Senator Edgar A. Brown of Barnwell is dead, his life snuffed out by injuries received in an automobile accident Thursday.

The statement by Republican Rep. Floyd Spence of Lexington is but one of the tributes paid "Mr. Democrat" by state leaders. The uniqueness of all these tributes is that they are all fully deserved. Senator Brown surely did more for the betterment of South Carolina than anyone in modern history.

Surface to say that even his severest critics in years past have come to realize that Senator Brown's leadership on the Senate Finance Committee kept the state on sound financial ground. He always insisted that the state's budget be balanced with a little left over for the unexpected.

While he is perhaps better remembered as the man who controlled the state's purse strings, Senator Brown was also instrumental in molding the state highway system and the state's tax structure. A progressive servant, he was one of the first to advocate educational television and nuclear development.

We are glad that Senator Brown lived to realize that his 50 years service to his beloved state was appreciated. (He attended the dedication of the Edgar A. Brown state capital complex on June 12).

Senator Edgar A. Brown, the "Bishop of Barnwell," was one of the great citizens of our state. May his most worthy soul rest in peace.

[From the Florence (S.C.) Morning News, June 29, 1975]

SENATOR EDGAR A. BROWN: A LONG SHADOW CAST

Today's memorial service for South Carolina's late Senator Edgar A. Brown will officially end an era in South Carolina's political history during which the one who became known affectionately as "The Bishop of Barnwell" imprinted his image upon so many facets of the state's life as to virtually shape it to his own making.

For more than half a century and during the administration of 17 governors, Edgar Brown was a member of the South Carolina General Assembly. Elected to membership in the House of Representatives in 1921, he served there until 1928 and was speaker from 1924-26. He was then elected to the Senate where he remained until his voluntary retirement in 1972 as senator emeritus, the only senator in South Carolina political history to bear that title.

For 29 years he was chairman of the Senate's powerful Senate Finance Committee. In that capacity, he was the acknowledged watchdog of state finances and the primary architect of the state's prestigious triple-A credit rating on the nation's money market.

While best remembered by contemporary South Carolinians in that role, his influence was exerted powerfully in far wider fields, including both state and national politics.

He was a central figure in Democratic national politics during hectic years when the National Democratic Party was engaging in practices believed inimical to the South's best interests. But to the end he was a loyal Democrat who stayed in the party while others were forsaking it either to join in a third party movement or later to line up with Republicans. In 1963 he became Democratic national committeeman and remained in that post until 1969 when he stepped down. Gov. Robert E. McNair was then elected to the post.

In South Carolina, he was a principal influence in retaining for the State Highway Commission an independent roadbuilding authority that resulted in the state's great highway system.

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with the state's finances, he was sometimes considered a drawback to public education, yet the record shows that on balance he was forward looking. He wished for public schools the benefit of every dollar that fiscal responsibility would permit.

Among his special interests was Clemson University on whose board of trustees he held life membership. In 1956 he became chairman of the board. In 1971, the university set aside a special room in the University library to contain his papers and other memorabilia associated with his long and distinguished career.

During his latter legislative years, his interest in educational television and nuclear pioneer development in South Carolina made him a pioneer in both fields.

For many years hence, historians will be weighing the influence of Edgar A. Brown on the political, social, educational, financial, and economic life of South Carolina. At this range so close to the career now closed, it seems certain that they will conclude that few men in the state's history have cast so long a pervasive and influential shadow over so many ~~areas~~ crucial to the state's well being.

Intelligence secrets has been recognized by the Congress in its direction to the Director of Central Intelligence to protect intelligence sources and methods from unauthorized disclosure. This responsibility was complemented by authorizing expenditures "for objects of a confidential, extraordinary, or emergency nature," to be accounted for solely on the certificate of the Director of Central Intelligence. Such expenditures would apply, for example, to a secret agent operating abroad in a hostile climate whose identity must be protected not only so that he can continue supplying the intelligence involved, but also because his freedom—and on occasion his life—weighs in the balance.

Other Intelligence activities do not have such obvious security requirements, but are, nonetheless, within the sources and methods concept. Liaison with foreign intelligence and security agencies is extremely important in fields of both positive intelligence and counterintelligence. Such liaisons to be effective depend on the confidence of each service that the other will protect not only the mere fact of the relationships, but also its sources and methods and sensitive information. Compromise in any of these brings not only protests from the foreign liaison service, but in some cases a lessening or even cessation of its cooperation.

Even overt activities have their own security problems. Thus, many U.S. citizens and others are willing to provide sensitive information to overt intelligence units only on condition that their cooperation in this respect be absolutely protected.

This need for the special protection of intelligence sources and methods has been well recognized by officials in the executive, judicial, and legislative branches of our Government. Mr. Lindsay C. Warren, then Comptroller General of the United States, in a letter dated March 12, 1948, to the Director, Bureau of the Budget, addressed the provision granting the Director of Central Intelligence the power to certify the expenditure of confidential funds by stating that while it provided "for the granting of much wider authority than I would ordinarily recommend for Government agencies, generally, the purposes sought to be obtained in the establishment of the Central Intelligence Agency are believed to be of such paramount importance as to justify the extraordinary measures proposed therein." He went on to say that the "necessity for secrecy in such matters is apparent and the Congress apparently recognized this fully in that it provided in section 102(d)(3) of Public Law 253, that the Director of Central Intelligence shall be responsible for protecting intelligence sources and methods from unauthorized disclosure." Under these conditions, he stated, "I do not feel called upon to object to the proposals advanced . . ."

It has been and it remains the policy of CIA to rely upon vouchered funds wherever possible. (Vouchered funds are those which can be accounted for and audited in conformance with the laws that apply to other Government agencies and with standard Government regulations and procedures.) Currently more than half of the Agency's appropriations are disbursed as vouchered funds. The confidential funds certification authority referred to by Mr. Warren in his March 12, 1948 letter is reserved for "objects of a confidential, extraordinary, or emergency nature."

From the beginning of CIA records for all vouchered fund expenditures were made available to and were subject to a voucher audit by the GAO. Use of the voucher audit procedure allowed the GAO to examine expenditure and collection vouchers and related documents to determine whether expenditures were made legally and solely for the objects for which appropriations were made. Use of the voucher audit procedure

July 7, 1970

also allowed CIA to protect its sources and methods, a confidential, extraordinary, or emergency nature, i.e., intelligence sources and methods.

Subsequent to the enactment of the CIA legislation, GAO adopted a "comprehensive audit approach," and raised with the CIA Subcommittee of the House Armed Services Committee the desirability of an expanded audit of Agency activities. The Comptroller General stated by letter dated May 29, 1959 to Subcommittee Chairman Kilday that he did "not recommend any change in section 10 (now section 8) of the Central Intelligence Act" and that "any broadening of our audit activities should not include an evaluation of the intelligence activities of the Agency."

Mr. Allen Dulles, then Director of Central Intelligence, agreed that GAO should expand its current audit activities in a letter to the Comptroller dated October 16, 1959, cautioning, however, that the comprehensive audit would have to be limited so as to remain outside the area of sensitive security operations for which by law the Director's certificate must be deemed a sufficient voucher.

The results of the trial period of comprehensive audit from 1959 to 1961 were made known to the CIA Subcommittee in a letter of May 16, 1961 from the Comptroller General in which he said the GAO planned to discontinue the audit of CIA activities. He acknowledged that various steps were taken by the CIA "to place the General Accounting Office in a position to make a comprehensive audit of the overt activities of CIA." Nevertheless, he stated that GAO "cannot effectively review and evaluate activities of the Support Component because the confidential and overt activities of this component are integrated to such an extent that we cannot make reasonably comprehensive audits." He further stated "we have been given sufficient access to make reasonably comprehensive reviews of the overt activities of the Intelligence Component, but such reviews, in our opinion, will not be productive of significant evaluations because we cannot feasibly evaluate the extent to which needed overt information is available for collection or determine the need for the intelligence information selected for collation and use in the production of intelligence reports." In short, the Comptroller General was recognizing the conflict between the philosophy underlying a "comprehensive audit approach" and the Director's statutory responsibility and authority to protect intelligence sources and methods.

Both the Director and Chairman Vinson, of the House Committee on Armed Services, requested that the Comptroller General continue to audit Agency affairs on a limited basis, but after another trial period the Comptroller General reiterated his earlier view. In a letter to Chairman Vinson dated June 21, 1962, the Comptroller General stated his belief that for maximum effectiveness "it would be necessary for our GAO audit staff to have nearly complete access to CIA activities," and that even to perform reasonably comprehensive reviews would require "complete access to the administrative activities, . . . that are performed in support of both sensitive and nonsensitive operations of CIA."

Chairman Vinson replied to the Comptroller General on July 18, 1962, stating that, "the restrictions you met within the Central Intelligence Agency are necessary, I believe, for the proper protection of its intelligence activities and should be maintained." The Chairman agreed, however, that in view of the Comptroller General's opinion that a continued audit was not a worthwhile effort, GAO might withdraw from further audit activities in the Central Intelligence Agency.

In summary, I believe that several points are deserving of emphasis in assessing the nature and history of GAO's audit activities with respect to this Agency:

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extending administrative support and in granting security clearances and access to information related to vouchered fund activities.

(b) The Chairman of the interested oversight committee in the House of Representatives was fully informed of the nature and status of the activity.

(c) This Agency encouraged GAO to conduct and to continue to conduct its activities consistent with the operational and statutory requirements imposed upon this Agency.

(d) The decision to discontinue the audit activities was made solely by GAO and was approved by the Chairman of the House Armed Services Committee.

Sincerely,

W. E. COLBY,
Director.

COMPTROLLER GENERAL
OF THE UNITED STATES,
Washington, D.C., June 24, 1975.

Hon. W. E. COLBY,
Director, Central Intelligence Agency,
Washington, D.C.

DEAR MR. COLBY: Thank you for your letter of June 16, 1975, concerning the Deputy Comptroller General's letter of May 10, 1974, which deals with the intelligence community and reviews the GAO's right to audit and obtain information from the CIA.

Your views on Mr. Keller's letter will be helpful in connection with any future comments the GAO may have to make. I must note however that I do not think that Mr. Keller's statements are inconsistent with the facts stated in your letter, although they are not in as much detail in some areas as those you have set forth in your letter. I might add that Mr. Keller was familiar with the background of the audit of CIA by GAO and was a participant in the negotiations during the 1959 to 1962 period.

I appreciate receiving your comments.
Sincerely yours,

ELMER B. STAATS.

MEMORIALS TO CONGRESS FROM OREGON

MR. HATFIELD. Mr. President, the Legislative Assembly of Oregon recently concluded its regular biennial session. As always, State legislatures deal with a number of issues which overlap with Federal jurisdiction. In the areas which require Federal action, the Oregon Legislature has customarily formulated memorials to Congress. I ask unanimous consent that memorials be printed in the RECORD, so the Members of Congress may be aware of these concerns. These memorials deal with the topics of Federal day care requirements, food stamp eligibility, the use of interstate highway funds, and the purchase of a hospital in Bend, Oreg. I commend these requests to my fellow Members of Congress.

There being no objection, the memorials were ordered to be printed in the RECORD, as follows:

HOUSE JOINT MEMORIAL 8

We, your memorialists, the Fifty-eighth Legislative Assembly of the State of Oregon, in legislative session assembled, most respectfully represent as follows:

Whereas child care for the children of working parents, the single head of the household and students who are also parents is a necessity; and

Whereas the federal regulations requiring a ratio of one audit to each five or six children in a properly run day care center is ral-

quality day care center beyond the ability of the average working parent to pay for such care; now, therefore,

Be It Resolved by the Legislative Assembly of the State of Oregon:

(1) The Congress of the United States and the Secretary of the United States Department of Health, Education, and Welfare are memorialized to allow for waiver of federal Interagency day care requirements at the regional level to permit greater flexibility in meeting day care needs.

(2) A copy of this memorial shall be transmitted to each member of the Oregon Congressional Delegation and to the Secretary of the Department of Health, Education, and Welfare.

HOUSE JOINT MEMORIAL 7

We, your memorialists, the Fifty-eighth Legislative Assembly of the State of Oregon, in legislative session assembled, most respectfully represent as follows:

Whereas current economic dislocation has caused a severe crisis in employment for Oregon workers; and

Whereas growing numbers of workers have been plunged into deepening personal crisis because of lost employment; and

Whereas large numbers of recently unemployed have unsuccessfully sought relief for themselves and their families through the federal food stamp program; and

Whereas existing federal regulations governing food stamp distribution systematically deny aid to the recently unemployed through unrealistic and overly severe property resource limitations of only \$1,500 for one person and only \$3,000 for two or more persons; now, therefore,

Be It Resolved by the Legislative Assembly of the State of Oregon:

(1) We urge the Congress of the United States to abandon the unrealistic and severe property limits on eligibility for food stamps so that our fellow Americans who are suffering from the combined impact of inflation and unemployment can be aided in an effective manner.

(2) A copy of this memorial shall be transmitted to the President of the United States, to the Secretary of Agriculture and to each member of the Oregon Congressional Delegation.

HOUSE JOINT MEMORIAL 6

We, your memorialists, the Fifty-eighth Legislative Assembly of the State of Oregon, in legislative session assembled, most respectfully represent as follows:

Whereas the State of Oregon has completed all but five percent of its interstate highway system miles, with the remaining portions delayed by court action; and

Whereas the State of Oregon must match federal highway funds allocated to it in order to avoid the loss of the benefits from those revenues; and

Whereas unless there is a change in the present interstate completion requirements established by the federal administration, the State of Oregon will be forced to either refuse federal funds to the detriment of the state's economy or continue to upgrade its interstate highways and neglect the most needed portions of its highway system; and

Whereas the State of Oregon is required to allocate its limited resources away from critical maintenance and repair projects on state primary and secondary roads because the use of most federal funds is limited to the uncompleted interstate system; and

Whereas increasing maintenance costs, critical state construction needs and a declining revenue base within the state may